GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3463
ANSWERED ON:07.09.2007
REDUCTION IN RATE OF DIVIDEND
Jindal Shri Naveen

Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal to reduce the rate of dividend in State-run banks as reported in the `Times of India` dated April 06, 2007;

(b) if so, the reasons therefor; and

(c) the time frame of each nationalized banks for reducing the rate of dividend?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) ; Public Sector Banks are required to declare a minimum dividend of 20% of equity or 20% of post-tax profit, whichever is higher, subject to availability of disposable profits. In view of Basel I! prescriptions, the banks are required to shore up their capital funds to meet the minimum regulatory requirement and to achieve their growth targets. In the meeting of Finance Minister with CEOs of public sector banks held on 19.04.2007, it was decided that the banks, desirous of declaring dividend lesser than the Government guidelines, may seek Government clearance before doing so.